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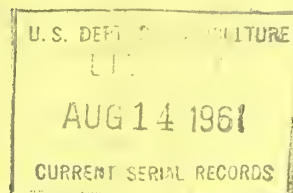
PRINCIPLES AND FACTS

PROBABILITY

News and Views from the Farm Management Staff

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL EXTENSION SERVICE
Division of Agricultural Economics Programs
Washington 25, D. C.

August 3, 1961



DEAR FARM MANAGEMENT EXTENSION WORKERS:

Sorry we are late. No need to tell you we have been busy; we know you have been, too. A number of items have accumulated since our last issue. We can only include a few that are of greatest interest.

MANAGEMENT WORK ON FEED GRAIN PROGRAM

The management educational opportunities provided by the feed grain legislation last spring appear to us to have been capitalized on in an excellent manner around the country. The information and materials which we have received indicate that a very timely and concentrated effort was made to inform farmers of this program. Copies of budgeting materials and other information sent out by farm management specialists indicate that a very helpful type of assistance was rendered to farmers.

Extension's educational work in regard to programs such as the one on feed grain might be broken into two general classifications: (1) The information side pertaining to the provisions of the program and how they affect farmers in different situations, and (2) the educational work directed to assisting farmers in analyzing and deciding upon a course of action. The latter type of educational work obviously is highly synonymous with farm management work and, to a large extent, uniquely Extension's role.

We cannot help but conclude that with the Soil Bank, and now the Feed Grain Program, we have gained immensely valuable experience and developed useful working tools. Also, we have grown in competence at both the State and the county level to the point that we can very effectively handle in stride future programs of this kind. This may be an especially useful asset in view of the considerations now being given to a 1962 Feed Grain Program and a similar type program for wheat.

Another accomplishment of our work on the Feed Grain Program was that it undoubtedly resulted in considerable teaching of management. Working through feed grain budgets probably brought many farmers' attention explicitly to facets of decision making and economics -- particularly the concept of fixed and variable costs. We would appreciate receiving comments and observations from you in regard to your experience and farmer reactions to educational work of this type.

AEP-99 (7/61)

GREAT DAY IN THE MORNING! IS THIS TRUE?

The following statement and the above caption have been "lifted" from Dick Burleson's letter to extension dairymen, because we feel that the statement is of equal interest and application to all specialists:

"In 1958 a State study of the functions and procedures of subject matter specialists was conducted which involved all full-time personnel with at least 12 months' experience.

"Among other findings the study revealed that specialists were most able in performing the following functions:

1. Acting as sources of information for agents.
2. Making visits to individual farms and homes.
3. Speaking to lay people at local meetings.
4. Participating in radio work.

"The functions below were not performed so well:

1. Helping agents evaluate their project methods and results.
2. Developing visual and other teaching aids for use by agents.
3. Maintaining two-way relationships with industries.
4. Training local leaders.
5. Helping agents develop necessary projects or teaching plans.

"Look at the two groups again. Doesn't the second group more closely approach what would be expected from a professional worker? This study indicates we are weak where we ought to be strong. Yes, we need to be involved with the functions in the first group but we must be proficient in program development and execution if we are to have effective dairy extension programs."

COOPERATIVE AGREEMENT DEVELOPED WITH MICHIGAN TO STUDY EDUCATIONAL
POSSIBILITIES OF MAIL-IN FARM RECORD SYSTEMS

During the next year the Michigan State University farm management staff will be making an extensive and thorough study of the possible educational contributions by mail-in farm record systems. They will do this under the terms of an agreement recently drawn up with FES. At last count, 7 States have initiated mail-in farm record projects and Michigan State has had this type of activity under way for about 5 years. These States have received numerous inquiries from other States that have been analyzing their own situation to determine whether or not they should start a mail-in farm record system.

Michigan has found that their project complements their farm management educational work. However, the full potentialities and contributions of this type of work need to be given considerable study at this time since (1) the mail-in projects which have been started vary somewhat in their approach, and (2) the tremendous development of high-speed automatic data processing equipment opens up new possibilities in this field. The study at Michigan will also give consideration to the organization of mail-in operations on a regional and/or national basis. The experience and thinking of other States and of private firms will be considered in this analysis.

WHAT DOES AUTOMATIC DATA PROCESSING MEAN FOR FARM MANAGEMENT?

Should we in farm management extension be keeping an eye on the developments in the automatic data processing field? It occurs to us that this area of automation bears watching and examining. With the development of memory-type computers in recent years, the rate of technological development and use of automatic processing systems has been breathtaking. As an indication of the rate of this development we are enclosing a copy of an excerpt from an article in "Electrical Engineering" magazine. Although this article is over 2 years old, it indicates the phenomenal downward trend in the possible cost of mathematical computations. This decline in cost is, of course, based on the assumption that the bigger and faster equipment is used to full capacity so as to spread out the overhead cost. However, as you know, in addition to the lower cost there is the added advantage of being able to simultaneously consider a huge mass of data which would have been impossible in previous years.

What are the areas or facets of farm management work for which this high speed computational and data-handling equipment has meaning? Some of the pertinent areas which occur to us are as follows:

1. For use in mail-in farm record projects. Quite a few States have already started to utilize automatic dating processing equipment in various aspects of their farm record work. (A study of the implications and possibilities in regard to mail-in farm record work is discussed in another section of this letter.)
2. Our research counterparts have been increasingly using this equipment in their research work. This growth in use by the research people is likely to continue. In order to utilize research it may be necessary for extension workers, in many instances, to have some comprehension of how this equipment is used in conducting the research.
3. For use in carrying out more effective farm management teaching activities, such as demonstrations and training workshops either for farmers or in-service training for extension workers. There has been some use of linear programming in such activities. (See the May 1961 issue of The Journal of Farm Economics for the article by Earl R. Swanson, entitled "Programmed Solutions to Practical Farm Problems," pp. 386-392.)

In recent years considerable thought and discussion have centered on exploring ways of using linear programming in extension work. So far, its use has been limited. However, in view of the speed with which changes are coming in the development of new ways of handling data, and also in teaching techniques, we may be wise to be alert as to any possible impacts for farm management extension work.

It is conceivable that farmers can be given practice in managing, and learn to become better managers, in learning situations made possible by the use of computers. Management games for business executives are being developed and seem to have potential for improving managerial ability.

The Southern Farm Management Extension Committee has arranged to play a management game, with a computer as part of the equipment, this fall as a way of beginning to examine the potentials of such games in management education.

PUBLICATIONS ON BUDGETING AND LINEAR PROGRAMMING

Several extension-type publications have become available recently on the subject of budgeting or linear programming, or both. We have sent copies to you through our regular distribution system. If you don't have one, you should write to the authors for a copy. They are worth reading and studying.

"Linear Programing -- A New Farm Management Tool," by Robert Finley and Dean Brown. Extension Service Publication E.C. 60-815, University of Nebraska.

This publication is designed to show how linear programming can be used by county agents and other agricultural leaders to help solve some of their management problems. It explains what linear programming is, how it can be used, what information is needed, and what its limitations are.

"Budgeting -- Tool of Research and Extension in Agricultural Economics." Prepared by Northeast Farm Management Research Committee, Irving F. Fellows, editor. Bulletin 357, University of Connecticut, August 1960.

This publication brings together a collection of brief, concise papers designed to broaden the knowledge of this important research and extension technique. They cover basic theory and assumptions, sources of input-output data, sources of price data, typical problems in budgeting, and research and extension use.

"Obtaining Identical Solutions Using Linear Programming and Partial Budgeting," by Marvin W. Kottke, University of Connecticut, Experiment Station Bulletin 359, September 1960.

This publication presents an example of how each of the two techniques is used to solve the same problem. It was written in the belief that a fuller understanding of the correspondence of linear programming to budgeting may encourage broader application of both techniques to actual farm problems. The author has this to say about it, "I hope it will be useful to people who want to get a better grasp of both budgeting and linear programming. By working out these problems I strengthened my confidence in the capabilities of both techniques and I hope that this bulletin will pass this information along to others."

Three additional publications might be mentioned while we are on the subject, as they demonstrate and illustrate the product of budgeting and linear programming techniques in the form of farm adjustments:

"Profitable Adjustment for New York Dairymen," by Carrol V. Hess, Cornell Experiment Station Bulletin 952, August 1960.

This publication presents an economic evaluation of alternative adjustments that dairymen might make on medium-sized dairy-cash crop farms in western New York. Several of the more promising adjustment alternatives are discussed from among the 43 systems evaluated by budgetary analysis.

"Farm Adjustment Opportunities -- Southside Virginia," by Harold W. Walker, Ralph G. Kline, and Carl J. Arnold. Technical Bulletin 150, Virginia Agricultural Experiment Station, May 1961.

This report is the first of a series of publications dealing with farming adjustment opportunities in selected sections of Virginia. The exploratory analysis was designed to determine an optimum combination of resources and enterprises to maximize net returns to fixed factors. Linear programming was used to develop the optimum combination.

"Regional Adjustments in Grain Production -- A Linear Programing Analysis," USDA Technical Bulletin 1241, June 1961. Prepared jointly by USDA, Iowa State University and Center for Agricultural and Economic Adjustment.

This publication is the first in a series based on exploratory studies, regional in nature, analyzing the farm surplus situation and the corollary adjustment problems of agriculture.

SPECIAL ARTICLES IN THE FARM COST SITUATION

Because it is a relatively new policy of the Farm Economics Division of ERS to include special articles on research findings in the back of The Farm Cost Situation, we wish to call your attention to those appearing in the May 1961 issue:

"Custom Feed Grinding and Mixing for the Small Farmer," by Edward J. Smith.

"Farm Expenditures, Purchased Inputs, and Cost Rates in the Mid-1960s," by Irving R. Starbird.

"Aspects of Future Investments in Dairy-Farm Buildings," by Roland R. Robinson.

MISSOURI WORKSHOP FOR FARMERS FACING URBAN LAND PRESSURE

Whether or not to sell their land is a difficult decision confronting many farmers located in urban fringe areas all around the country. Recently, in St. Louis County, Missouri, an educational program, entitled the University of Missouri Farm Management Short Course, was held to assist 36 farmers to analyze their alternatives.

Teaching resources from private firms, university staff, and Government sources were utilized. A fee of \$15 was charged to cover cost of materials and teachers.

The topic titles for each of the seven meetings were: When to Sell; How to Sell; Have I Planned My Estate?; What to Do With My Money; Where To From Here?; How Would I Do It Next Time?; What Will I Do?

The county extension staff plans to hold more schools this coming winter.

FIVE EXTENSION ECONOMISTS AWARDED AGRICULTURAL POLICY INSTITUTE FELLOWSHIPS

Among 14 special 1-year fellowships awarded by the Agricultural Policy Institute at North Carolina State College for study during the academic year 1961-62, 5 were awarded to extension economists. A major objective of the Institute, formed at North Carolina State by a grant from the W. K. Kellogg Foundation, is "to provide information and analytical techniques which will help people understand the agricultural adjustment and public policy problems" of the South. One of the important ways in which the Institute hopes to achieve this objective is to bring to the campus of North Carolina State College each year a group of experienced administrators and specialists of public agricultural agencies for a 1-year program of study. Preference is given to men who have demonstrated exceptional ability in

administrative and specialist positions and who have excellent prospects for a continuing career in public service as judged by past experience and progress, academic proficiency and evaluations by their colleagues and supervisors.

The 5 extension economists awarded special fellowships for 1961-62 are:

Lloyd A. Carville, Associate Specialist, Agricultural Extension Service, Louisiana State University, Baton Rouge, Louisiana.

Robert G. Cherry, Extension Economist and Leader in Farm Management and Policy, Texas Agricultural Extension Service, 309 Timber, College Station, Texas.

Frank M. DeFrieze, Associate Agricultural Economist, Agricultural Extension Service, P. O. Box 1071, Knoxville 7, Tennessee.

Clay R. Moore, Farm Management Specialist, Agricultural Extension Service, University of Arkansas, P. O. Box 391, Little Rock, Arkansas.

Paul S. Stone, Farm Management Specialist, North Carolina Agricultural Extension Service, North Carolina State College, Raleigh, North Carolina.

PERS ONNEL CHANGES

Lester Arnold has resigned from his position as farm management specialist in Ohio, effective June 25, 1961, to go with the Farm Credit Administration, Washington, D. C. John Curtis, formerly in charge of marketing extension work in North Carolina, is the new head of the Department of Agricultural Economics in Maryland, effective June 25, 1961. Clinton Shelby, farm management and marketing specialist in western Tennessee, has been promoted to district supervisor of agricultural programs. James L. App was appointed as extension economist in farm management at St. Paul, Minnesota, effective July 1, 1961. He completed his Ph.D. in Wisconsin in June 1961. Warren Trock, extension economist in farm management in Montana, is on study leave this year. Earl Moncur, extension economist in Wyoming, has moved from farm management into marketing work. Rudolph J. Becker, University Park, Pennsylvania, on June 24, 1961, resigned from the position of farm management specialist to take a 2-year overseas assignment with ICA. Kenneth Brundage, farm management specialist, West Virginia, has been chosen by the Army for a year's study at the Army War College at Carlisle, Pa. He will be on leave from West Virginia, beginning in August. Charles Sargent has recently joined the farm management staff at Purdue. He has completed his Ph.D. work at Wisconsin and will receive his degree in August. Howard M. Latimer, Little Rock, Arkansas, was reassigned from extension farm development specialist to extension farm management specialist July 1, 1961. Earl E. Hodgkins, Baton Rouge, La., was promoted from associate county agent to associate specialist in farm management, effective August 1, 1961.

Sincerely yours,

Buel Lanpher

Farm Management and Production Economics Branch

Buel Lanpher, Chief
Virgil Gilman
L. M. Vaughan
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Enclosure